



United States Department of the Interior

MINERALS MANAGEMENT SERVICE
Washington, DC 20240

DEC 8 1995

Memorandum

To: Associate Director for Policy and Management Improvement
Associate Director for Royalty Management

From: Deputy Director *Archie Kallan*

Subject: Royalty Obligations under OCS Section 6 Leases

The purpose of this memorandum is to outline the guidance of the Royalty Policy Board pertaining to the treatment of OCS Section 6 leases.

1) No royalty is due on gas flared from OCS Section 6 leases unless it is avoidably lost as determined by OMM under 30 CFR 250 or unless it is utilized prior to its being flared. This guidance affects all 132 of the existing Section 6 leases.

2) In determining the value for royalty purposes, no allowance for the costs of transportation to the sales point should be allowed regardless of the distance from the lease to the sales point. This guidance affects 119 of the 132 existing Section 6 leases. The 119 leases were originally issued by the State of Louisiana on its 1942 lease form.

This guidance should form the basis for all enforcement activities of MMS pertaining to this class of leases.